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Message Text

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43
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-02 L-03

NSC-05 PA-01 PRS-01 SS-15 /086 W
---------- 118425
R 261630Z OCT 76
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 9240
AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
AMEMBASSY LONDON

LIMITED OFFICIAL USE THE HAGUE 5932

E.O. 11652: N/A
TAGS: EFIN, NL
SUBJ: DUTCH INTEREST RATES EASE

1. WITH THE REVALUATION OF THE D-MARK HAVING REDUCED PRESSURE ON THE NETHERLANDS BANK TO MAINTAIN HIGH INTEREST RATES AS AN AID TO STABILIZING THE GUILDER/D-MARK RATE, DUTCH MONEY-MARKET RATES ARE BEGINNING TO FALL. THE OFFICIAL CALL MONEY RATE DROPPED FROM 7.75 PERCENT TO 6.5 PERCENT OCTOBER 22 AND FURTHER TO FOUR PERCENT OCTOBER 25. ALGEMENE BANK NEDERLAND (ABN) LAST WEEK WAS ABLE TO FLOAT A 100 MILLION GUILDER ISSUE AT NINE PERCENT COMPARED TO THE 10 PLUS PERCENT RECENTLY PREVAL-ENT FOR BANK AND INDUSTRIAL BONDS. MUNICIPAL ISSUES AND MORTAGES HAVE SHOWN A SIMILAR DECLINE. SPECULATION IS GROWING THAT THE NETHERLANDS BANK WILL LOWER ITS DISCOUNT RATE (CURRENTLY SEVEN PERCENT) IN THE NEAR FUTURE.

2. COMMENT: THE DUTCH GOVERNMENT IS EAGER TO SEE THE EASING OF CAPITAL MARKETS TO STIMULATE DECLINING BUSINESS INVESTUTMENT
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, AS WELL AS TO REDUCE THE NEED FOR MONETARY FINANCING OF THE GOVERNMENT'S LARGE BUDGET DEFICIT. HOWEVER, THE NETHERLANDS BANK CAN BE EXPECTED TO MOVE CAUTIOUSLY FOR FEAR OF RENEWING TENSIONS IN FOREIGN EXCHANGE MARKETS.

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Message Attributes

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Concepts: POLICIES, MARK (CURRENCY), REVALUATIONS, BANK LOANS, INTEREST RATES
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TAGS: EFIN, NL
To: STATE
BONN
BRUSSELS
EC BRUSSELS
LONDON
Type: TE

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